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Dear Ms Hughes

RE: Proposal to introduce a mechanism to link Welsh Red Meat Levy rates to inflation

Please find below the Farmers' Union of Wales' response to the above consultation which I trust will be given consideration in any decision reached by Hybu Cig Cymru.

Yours sincerely

Elin Jenkins
Policy Officer
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Farmers' Union of Wales response to a Hybu Cig Cymru consultation on proposals to introduce a mechanism to link Welsh Red Meat Levy rates to inflation

16th December 2022

Introduction

The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.

The FUW's Vision is thriving, sustainable, family farms in Wales, while the Mission of the Union is to advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.

The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

General Comments

FUW members noted the proposal to track Welsh red meat levy rates in line with annual inflation. The proposal would mean that levy rates for each financial year would reflect annual inflation in the previous calendar year as measured by the Consumer Price Index (including owner occupier housing costs). Members also noted that this proposal would only apply to the levy collected in Wales and not to the levy HCC receives as part of the redistribution.

In general, FUW members felt that the consultation was too broad and simplistic and did not give respondents sufficient opportunity to discuss the wider - yet directly related - aspects of levy collection.

Indeed, FUW members believed that the consultation placed too great an emphasis on the collection of increased levies at the expense of discussions pertaining to the need for improved transparency of expenditure and accountability for current HCC levy spend. While Union members recognised and appreciated the regular dialogue and engagement with the FUW, including with relevant FUW Standing Committees, they strongly questioned why all levy payers were not routinely consulted directly on where their levy money is allocated and spent, and numerous members believed that there was a historic lack of interaction between HCC and the needs of the levy payer when making decisions on funding priorities.

Given the above, members requested a more detailed breakdown of how the funds raised by increasing the levy, if applied, would be spent and the relative benefit of such expenditure to the red meat industry in Wales.

Several members commented that the questions contained within the online survey were far too broad and covered several different aspects of HCC workstreams. The basic nature of the response format made it extremely difficult to provide a true reflection of the levy payers value of

HCC. Furthermore, it was the opinion of some Union members that several questions or statements within the survey seemed to state key objectives in order to skew responses.

Due to the broadness of the statements provided, members felt that the utilisation of a sliding scale could not function to provide an accurate representation of their beliefs. Several members commented that, within the same question, one aspect of the statement could easily be valued as 'very important' whilst a second point within the same statement could be of little importance, making the provision of an appropriate single choice on the sliding scale impossible, as it forced the respondent to undervalue one and overvalue the other, preventing the accurate collection of opinions.

Given the importance and sensitivity surrounding the topic of increasing levy rates, it was felt that this consultation process should have been used to provide levy payers with a far better opportunity to engage with HCC on issues such as future priorities for levy payers, areas of ongoing concern and other such matters directly related to levy expenditure.

In addition to the above, several members expressed disappointment relating to the location and timing of HCC levy consultation discussion events. In particular, the absence of a formal meeting in a mid-Wales location and the decision to hold a meeting in Llysfasi College on the same evening as Ruthin Christmas market were viewed unfavourably by Union members in those counties.

Whilst the FUW formally represents the view of its membership within this consultation response, many Union members felt strongly that there should have been symmetry across Wales in the availability of meetings and at less formal settings, such as at livestock markets, to ensure that all levy payers had plenty of opportunities to personally and confidently engage, gain knowledge and understanding of the work that is undertaken by HCC and give honest feedback to HCC staff and representatives.

Specific Comments: Levy increase proposals

Responses to the proposal to increase levy payments in line with inflation were varied, however, the majority of members did not support the proposal. Notwithstanding the above, numerous members commented that the consultation was silent on the issue of deflation and stated that any move to align levy payments with inflation should see such levy payments decrease in a deflation scenario.

Members opposing the proposals argued that the levy rate should not be aligned with inflation as this does not constitute a fair calculation and consequently several alternative proposals were put forward by FUW members.

There was a suggestion that the levy rates should be performance related, where the rate would be reflective of livestock market prices, as is the case for the percentage commissions applied by livestock markets. Suggestions were made for varying rates linked to weights and/or categories of livestock, and again suggestions were made that levy rates should be linked to sales and industry results.

It should be noted that the majority of respondents felt strongly that the timing of the current consultation did not seem to give due consideration to the current economic pressures being

faced by red meat producers in Wales. While UK inflation rate for food and non-alcoholic beverage prices reached 12.7% in July 2022, The Andersons' Centre reported in July that 'agflation' (inflation linked to rising agricultural costs and prices) was running at 23.5% per annum, around 20 percentage points above the UK Government's Consumer Price Index (CPI) rate of inflation, which is itself at the highest recorded rate since 1981. In comparison, the rate of inflation at the same time for agricultural outputs was 10.1%.

In addition, the lack of clarity surrounding future financial support mechanisms and the phase out of schemes such as the Basic Payment Scheme (BPS) will undoubtedly place further pressure and uncertainty on red meat producers, given that the BPS currently makes up around 80 percent of Welsh farm income on average.

Given the above, the proposal to increase the levy collected in line with inflation was largely deemed an unfair route to secure additional funding for HCC without regard for affordability and the hardship and uncertainty facing producers at this present time. Numerous members questioned what internal cost saving exercises had been conducted within HCC prior to the present consultation. In light of the present proposals, Union members believed that it was essential for HCC to prioritise resources in line with the needs of levy payers, improve in-house efficiencies and increase the value for money obtained on the services provided across all elements of the board.

Notwithstanding the above, concerns were raised that any annual proposal to increase the levy rate in line with inflation must be consulted upon with levy payers and under no uncertain terms should this be applied automatically without such consultation with levy payers.